

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 DODE-00 PA-01 USIA-06 PRS-01

FEA-01 ERDA-05 CEA-01 FPC-01 H-01 INT-05 L-02 NSC-05

PM-03 SAM-01 OES-03 SS-15 STR-01 ABF-01 FS-01 OPR-01

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E.O. 11652: N/A

TAGS: EFIN, VE

SUBJECT: VENEZUELAN REACTION TO PRESSURE ON DOLLAR

1. IN RESPONSE TO QUESTIONING BY THE MEDIA FEBRUARY 26 CONCERNING THE EFFECT OF DOWNWARD PRESSURE ON THE DOLLAR ON VENEZUELA, DR. HECTOR HURTADO, MINISTER OF FINANCE, STATED THAT THERE ARE NO PLANS AT PRESENT FOR REVALUING THE BOLIVAR. HE SAID THAT REVALUATION OF THE CURRENCY CANNOT BE DONE IN ISOLATION BUT WITHIN THE FRAMEWORK OF THE TOTAL VENEZUELAN ECONOMIC POLICY.

2. HURTADO SAID THAT THE TRUE VALUE OF VENEZUELAN CURRENCY IS THE PRICE OF PETROLEUM WHICH THE GOVERNMENT IS ABLE TO ADJUST ACCORDING TO FLUCTUATIONS AND DETERIORATION OF OTHER CURRENCIES. OTHER OPTION WHICH THE GOVERNMENT HAS IS TO CONTINUE TO ACCEPT DOLLARS IN PAYMENT FOR PETROLEUM BUT TO HAVE THE PAYMENTS ACCOUNTED IN A STABLE CURRENCY SUCH AS THE SDR.

ANOTHER MEASURE WHICH VENEZUELA CAN TAKE TO PROTECT THE VALUE OF ITS FOREIGN EXCHANGE IS TO DIVERSIFY THE PLACEMENT OF ITS RESERVES

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IN OTHER CURRENCIES BESIDES THE DOLLAR. THE CENTRAL BANK ALREADY

HAS BEGUN TO DIVERSIFY ITS HOLDINGS OF FOREIGN EXCHANGE.

3. COMMENT: ALTHOUGH THE GOVERNMENT CONTINUES TO REITERATE THAT IT HAS NO INTENTION OF REVALUING, IT IS CLEARLY CONCERNED ABOUT THE RECENT PRESSURE ON THE DOLLAR. ONE OPTION WHICH WAS NOT DISCUSSED BUT WHICH IS A DISTINCT POSSIBILITY IS FOR THE GOVERNMENT TO REDUCE THE RATE OF EXCHANGE ON BOLIVARS PAID FOR PETROLEUM DOLLAR EARNINGS FROM THE PRESENT RATE OF \$1 - BS. 4.20. THIS MEASURE WOULD INCREASE THE EFFECTIVE GOVERNMENT TAKE ON PETROLEUM EXPORTS BUT WOULD NOT ADVERSELY AFFECT VENEZUELA'S COMPETITIVE POSITION IN NON-PETROLEUM EXPORTS. AT THIS POINT EMBASSY BELIEVES GOV HAS NOT TAKEN ANY DECISION CONCERNING REVALUATION MEASURES BUT IS CONTINUING A WAIT AND SEE ATTITUDE, HOPING THAT DOLLAR WILL PULL OUT OF ITS DOWNWARD SLIDE ON WORLD MONETARY MARKETS.
MCCLINTOCK

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Message Attributes

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